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UNCLAS SECTION 01 OF 02 AMMAN 006586

SIPDIS

SENSITIVE

DEPT PASS USAID FOR ANE/MEA KIM FINAN
USDOC FOR 4520/ITA/MAC/ONE/PAUL THANOS
USDOC FOR 6000/ADVOCACY CENTER/CJAMES
USDOC FOR 6400/RSTEELE/ITA/TD/OEC/RSTEELE
TREASURY FOR MILLS, PIPATANAGUL
PASS OPIC FOR STEVE COWAN, ABED TARBUSH
EXIM BANK FOR BOSCO

E.O. 12958: N/A

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SUBJECT: JORDAN TELECOM DEBUTS ON AMMAN STOCK EXCHANGE

REF: A) AMMAN 2420 B) AMMAN 0567

[11](#). (SBU) SUMMARY: Following a well-subscribed initial public offering (IPO), Jordan Telecom (JTC) stock had its first day of public trading on the Amman Stock Exchange (ASE) November [13](#). The listing made JTC the largest company on the ASE in terms of operating capital, and placed the Amman bourse among the largest in the Middle East. The success of the IPO, which represented 10.5% of the company, has prompted the government to consider selling another chunk of JTC stock, and perhaps parts of the newly unbundled electric companies, via IPOs as early as next year. END SUMMARY

A CLEAR DEMONSTRATION OF INVESTORS' CONFIDENCE

[12](#). (U) Making good on its pledge to accelerate privatization, the Government of Jordan put 15% of JTC, amounting to 37.5 million shares, on the market October 9 via an IPO, the first such offering of state assets to the Jordanian public. Individuals or companies were able to subscribe for a minimum of 100 shares, with a three percent discount applied to the first 1000 shares purchased by individual subscribers. There was no ceiling on the size of investment, and the IPO was open to international and domestic investors and institutions. On October 7, the government announced that it set the price range at between \$3.25 and \$3.75 per share, depending on demand. The deadline for participation in the IPO, originally set at October 23, was extended by one day. The final price per share, announced October 28, was \$3.35.

[13](#). (U) According to figures issued by the Securities Depository Center (SDC), 26.2 million shares were bought, resulting in gross privatization proceeds of \$87 million. Jordanian and Arab individual purchases accounted for approximately 6.7 million of the shares, with 27,000 going to ten foreign subscribers. The SDC said that 49 Jordanian institutions and 6 Arab entities purchased the rest, with the Social Security Corporation buying the bulk of it at 5%. Although the IPO represented only 10.5% of JT, Finance Minister Michel Marto termed the IPO a success and called it "a clear demonstration of investors' confidence in our economic reforms and privatization program". As part of the offer, JTC announced that shares would be listed on the ASE beginning November 4, with an opening price of \$3.50.

[14](#). (U) Following the sale, the government's stake in JTC is 41.5%, France Telecom's remains 40%, the Social Security Corporation's rises to 12%, with the remaining one percent owned by the Jordan Telecom Employees' Provident Fund.

A STAR IS BORN?

[15](#). (U) Closing at \$3.43, slightly below its opening price, JTC shares made their debut as scheduled. The listing of JTC on the ASE made it the second-highest ranked company (out of 157) on the bourse in terms of market capitalization at \$821.8 million, and increased the market capitalization of the Exchange by more than 10%, making the ASE one of the largest bourses in the region. A total of 56,000 shares changed hands the first day. As of close of business November 6, another 49,000 shares had been traded, with the stock rising to \$3.50 at the closing bell.

IMPORTANT TO KEEP UP THE MOMENTUM

[16](#). (SBU) In a briefing given to econoffs on the progress of privatization (SEPTTEL), Adel Al-Kodah, Chairman of the Executive Privatization Commission, said that it was "important to keep up the momentum" generated by the IPO. He

said that the Commission was planning to offer shares in the electricity generation and distribution companies via an IPO some time next year. He added that the government would offer the next tranche of another 10 to 15% of its stock in JTC through an IPO next year.

COMMENT

17. (SBU) With the pressure of the impact of new entrants into the telecom market on the IPO and share prices behind it, JTC may now be able to view the Real Time fiber-optic cable project a bit more favorably (REF B). Be that as it may, with global interest in telecom stocks limited due to the downturn in the sector in general and regional unrest making foreign investors chary, the government can consider the JTC IPO a success. Providing investment opportunities for day-to-day investors in a sound company such as JTC marks specific progress in economic reform and capital market expansion. It also emphasizes the Jordanian Government's commitment to move ahead on privatization, despite an investment atmosphere that is far from ideal. End comment.

GNEHM